

Approved For Release 2001/12/05 : CIA-RDP86T00608R000700110012-1

CIA/OSR /MEMO PA 750609  
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COSTS OF SOVIET DEFENSE PROGRAMS

01 OF 01

9 June 1975

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DCI CONGRESSIONAL BRIEFING: McCLELLAN

CIA/OSR

MEMO PA 750609

THE COSTS OF SOVIET DEFENSE PROGRAMS

I. Since I briefed you last year, we have revised and updated our estimates of the cost of Soviet defense programs. We conduct a complete review of these estimates every year to revalidate our methodological procedures and to incorporate new information and analysis.

Cost Comparison of Soviet and US Defense Programs

(Chart: *Soviet and US Defense Programs*)

II. How do Soviet defense costs compare with that of the US? This chart shows our estimates for the period 1964-74.

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A. The dollar costs of Soviet defense programs are estimates of what it would cost in the US to develop, procure, and man a military force of the same size and with the same inventory of weapons as that fielded by the Soviets. We also figure in what it would cost to operate that force as the Soviets do.

B. The US expenditures have been derived from Department of Defense and Energy Resources Development Administration data, adjusted for comparability.

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C. All of the dollar data are expressed in 1973 prices.

Cost Comparison of Soviet and US Defense Programs

(Chart: <sup>Approximate</sup> Soviet and US Defense Expenditures <sup>Costs</sup>)

II. How does Soviet defense spending compare with that of the US? This chart shows our estimates for the period 1964-74. In viewing these comparisons, you should note that US Department of Defense data have been adjusted for comparability with the estimates of dollar costs of the Soviet defense effort, and that all dollar data are expressed in 1973 prices.

Total Defense Costs

III. Measured this way, the estimated dollar costs of Soviet defense programs have exceeded US defense expenditures in every year since 1971. US spending shows a steady decline from a peak in the late 60s. At over 93 billion dollars, Soviet expenditures for 1974 were about one-fifth higher than the 79 billion dollars the US spend<sup>+</sup>. As you can see from the horizontal bars at the bottom of the chart, the estimated dollar costs of Soviet programs for the 1964-74 period as a whole came to about 90 percent of the US level.

A. Data are not yet available to permit detailed calculations in 1974 prices, but it is clear that both the estimated dollar cost of Soviet defense activities and the US defense expenditures would be higher in every year.

Military Mission Comparisons

IV. This chart breaks down total <sup>costs</sup> spending into military missions, and shows the estimated dollar cost of Soviet programs as a percent of US spending.

A. You can see that the estimated dollar costs of Soviet intercontinental attack programs -- excluding RDT&E -- exceed US expenditures for every year since 1966, when most US systems were operational, and were some 60 percent higher in 1974.

1. Soviet ICBM programs costed in dollars are about three times US ICBM costs for the period as a whole. The dollar costs of 1974 Soviet programs were almost four and one-half times the US spending level, reflecting procurement of the new ICBM systems approaching operational status.
2. The dollar costs of Soviet SLBM programs exceed US expenditures on SLBMs for every year since 1969, and were almost 30 percent greater in 1974.

3. On the other hand, US spending for intercontinental bomber programs was about five times greater <sup>the costs of</sup> than similar Soviet <sup>programs</sup> spending during the period as a whole.

B. As for strategic defense forces, the USSR has traditionally maintained much larger ones than the US. You will note that the red line is above the US figure during the entire period.

1. The cumulative dollar costs of Soviet programs over the 1964-1974 period are four times US spending, the biggest difference being in SAM and fighter-interceptor programs.
2. In 1974, the dollar costs of Soviet strategic defense programs amount to almost eight times US expenditures for strategic defense.

C. The estimate of dollar costs of Soviet general purpose forces increases steadily from 1964-1974, although there are some decreases in relation to US costs. This is because US expenditures grew rapidly during the Vietnam involvement, but had returned to the 1964 level by 1971. As a result, the dollar costs

of Soviet general purpose forces surpass the level of US expenditures after 1970, and exceed it by 20 percent in 1974.

1. The estimate of dollar costs of Soviet ground forces for 1974 is more than twice US spending, reflecting the much higher levels of Soviet manpower.
2. The dollar level for naval forces is about the same for both countries.
3. The estimate of dollar costs of Soviet tactical air forces grows rapidly beginning in 1969, but is still only about half the US spending level.

#### V. Resource Category Comparisons

- A. Expenditures for military forces can also be divided into resource categories for comparison purposes -- that is, research and development, investment, and operating costs, as shown on this chart.

(Chart: *Soviet Defense Spending by Resource Category*)

- B. For military investment and RDT&E, the estimated dollar costs of Soviet weapons acquisition programs exceed US expenditures for comparable

programs beginning in 1970. In 1974 the estimate is about one-fourth larger than US spending. For the 1964-74 period as a whole, however, US expenditures are about 10 percent higher than the dollar costs of Soviet programs.

1. For military RDT&E alone, US expenditures exceed the estimated dollar costs of Soviet RDT&E programs by more than 25 percent for the 1964-74 period as a whole. But since 1971 Soviet costs are higher, and for last year topped US spending by about 25 percent.
2. I should caution, however, that our estimates for Soviet RDT&E are subject to greater uncertainty than those for other categories of Soviet military activities.
3. Soviet investment spending shows a sharp upturn beginning in 1973, because of the initial procurement costs for the new generation of Soviet ICBMs and rapid growth in procurement of tactical aircraft. At the same time, US procurement of aircraft and missiles has been declining.



The estimate of dollar costs of 1974 Soviet procurement of missiles and aircraft is about one-fourth greater than US expenditures.

4. The estimate of dollar costs of Soviet ships and boats procurement exceeds US outlays by one-half over the 1964-74 period, and by about one-third in 1974.

5. The dollar costs of Soviet land armaments procurement amount to over three times US expenditures for the 1964-74 period.

C. As for operating costs, the largest component is the cost of military personnel. Estimated Soviet expenditures for manpower rose steadily over the 1964-74 period, while military force reductions were lowering US costs. Last year, <sup>dollar cost up</sup> the Soviet bill for manpower was almost 50 percent higher than ours. *It's manpower bill.*

D. I would like to emphasize here -- as I have in previous briefings -- that the comparison between the estimated dollar costs of Soviet and US defense spending reflects the general magnitude of the programs, but it is not by

itself a measure of military capabilities. Equal levels of spending do not necessarily result in equal military effectiveness.

### Cost Trends

VI. One question remains, Mr. Chairman: What about future patterns and trends in Soviet defense <sup>programs,</sup> spending. This is not an easy one to answer, but we do have projections.

(Chart: US and Soviet Defense Programs (1961-1981)  
Trends in Soviet Defense Spending)

A. As you can see from this chart, our current estimate of the costs of Soviet defense programs over the past decade shows a steady upward trend, <sup>with</sup>

1. Averaging about 3 percent per year, the upward path has been marked by cycles with annual rates of growth ranging from <sup>however,</sup> one to five percent.

2. This cyclical behavior seem to be independent of economic or political considerations. It results almost entirely from fluctuations in procurement costs during the deployment phases of succeeding generations of strategic systems.

3. The expansionary phase of the latest cycle began in 1973, as the USSR undertook procurement of a new round of ICBMs. The

general pattern during the current phase is consistent with past cycles. We believe it likely that costs will level off at a new higher plateau in 1976-77, when the current ICBM programs are completed.

4. I would note, however, that the present procurement cycle seems to be more broadly based than its predecessors. As I stated earlier, in addition to larger strategic programs, the Soviets are procuring more tactical aircraft and ground force equipment than in the past.

B. The course of Soviet defense spending during the next few years is well defined by programs already underway. The levels of future costs probably will be little affected -- at least in the short run -- by developments in either the strategic arms limitation negotiations or the discussions on mutual force reductions. Even if these dialogues produce agreements for stabilizing or reducing force levels, it is unlikely that programs already underway would be curtailed.

C. In the longer term, arms limitation pacts could reduce the pressure to initiate new defense programs. However, even with such agreements, we expect the Soviets to embark on a program of extensive qualitative improvement of their strategic weapons, which should cause the <sup>new</sup> ~~level of spending~~ to turn up again by the end of this decade.